

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – SEPTEMBER 29, 2004

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; George Tsiopras, Chief Financial Officer. Guests: Michael Gocłowski, Law Warehouses.

EXCUSED: Nicole Horton, Wine Marketing Specialist.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending September 26, 2004 shows retail sales were up a little over 5.8%, on-premise sales were up almost 1.9%, off-premise sales were up 6.5%, and total aggregate sales were up about 5%. The traffic count increased by 4,160, while the average sales ticket increased by \$1.07.

The W-1 Total Weekly Sales report for the same week confirms total sales compared to the same week last year were up 5% or \$343,703, and were also up for the year by 7.38% or \$7,077,228. Wine sales also increased by a little over 5% or \$162,184 for the week, and they also increased by 8.9% or \$3,729,087 for the year. Sales of spirits were up 4.9% or \$181,519 on a weekly basis, as they were year-to-date by almost 6.2% or \$3,348,141.

B. Budget/Administrative Reports:

There was nothing of real significance to report regarding this week's outstanding depletions/post-offs and gift cards. However, that there was a discrepancy regarding figures concerning one vendor listed on the depletion report. The broker will fax information to help resolve this.

Installation of the fire alarm system has been completed, and there will be a final meeting with the company this morning. Testing of this new system was completed last week and has now been certified by the fire department. There was one repair made to the sprinkler system, which is now operational. The pull boxes may now be used if a fire is detected. Craig said it was important that staff realize that the building must be vacated if the alarm sounds. He will work with Commissioner Russell to schedule a fire drill.

The snow plowing contract was approved at last week's Governor and Council meeting.

The process of changing over the building security alarm company at Enforcement will be official as of October 1st. So far, everything is being reported as functioning properly.

A letter was received from Brian Law dated September 27 informing the Commission that a \$.01 per case increase will become effective October 1, 2004 due to rising costs of diesel fuel. If prices happen to go down, this surcharge will be eliminated. New rates for the Law contract go into effect on November 1st.

The W-6 Expense Budget Activity Variance report for the week ending 9/21/04 shows the year to be at about 25% complete, with total agency expenditures at around 26.4%. Class 10 is down by \$350,000. Current Expenses are up by about \$120,000, as is Maintenance and Grounds by \$164,000, mostly due to ACR expenses. In addition, the Benefits class is up by \$375,000. However, workers compensation costs are down by about \$122,000. George will send out the July and August 2004 income statements by the end of today. The budget was submitted on time yesterday; work will now begin on the 10% cut.

2. IT Report

Howard attended a meeting a week ago with OIT. He said that the personnel side of the budget is not correct, as the Commission is being charged for full-time employees plus part-time staff. There should only be an increase of 5% or 10% versus 78%. There was some further discussion regarding this issue.

Howard gave a gift card presentation to various Commission staff. There were many comments and suggestions, some of which will be reworked into the system. One will be the collection of both billing and mailing addresses, if they differ. Minimum orders will be \$100.00. Changes should be incorporated and ready to go within a week or so.

The new licensing system is up and running. There have been some problems in printing the licenses, and also some issues with deferred compensation. These will probably not be resolved until sometime next week.

The new patch management software has been received from the company in Portsmouth. Howard expects it will be implemented within a couple of weeks.

The new Dolphin equipment has been used in Stores #1 and #72 and has so far worked out quite well. Peter worked with one at Store #72 and felt they would save time. IT is still waiting to receive the tethers for the Dolphins.

The Marketing Department has made a few comments regarding the Law package program, and some changes are being made to improve the system. It will be automated and ready to go today or tomorrow.

A few changes have been made to the supplier side of the web site, including a new product list which shows a particular supplier exactly what their products are. The brokers have requested such a list, including current cost information. A few other requests have been addressed and changes made to help alleviate confusion.

A meeting was held regarding promotion capabilities of the ACR system. Research has shown that it has some limitations. Howard will ask ACR for changes in pricing and software.

3. Human Resources Report: No report given.

II. MARKETING & SALES REPORTS

1. Store Operations:

Total retail store sales for the week ending 9/26/04 increased by 4.76% or \$257,813.02 over the same period last year.

Peter will contact the landlord for the Berlin store regarding correspondence received from him. The landlord for Store #54 in Glen has offered to provide whatever the Commission needs if we stay at that location instead of taking advantage of other options. Commissioner Byrne recommended remaining at the present location.

The Swanzey store relocation should be a fairly smooth move. Peter said the store looks very good, and the construction company has been great to work with. The actual move will occur after the holidays.

John Bunnell commented that the building contract for the Keene store was approved at the last Governor and Council meeting. Work is currently being done on addressing the FEMA wetlands issue.

An independent consultant was brought in to evaluate the problems with the floor at Store #38 Portsmouth and make a recommendation to the Commission as to how to proceed.

Peter participated in a conference call with representatives from NABCA regarding the upcoming best practices conference. He will ask IT for assistance in developing some power point presentations.

2. Purchasing Report

Vat 69 is currently on sale for \$4.00 off; however, this product is out of stock in 40 stores. Marketing is working with the supplier, Diageo, on this situation, and product should be arriving shortly. Grey Goose Vodka, 750ML size, is now back in stock.

Mike Goclowski mentioned that the N.H. Grocers Association annual convention is taking place today from 12:00 noon to 3:00 p.m. The awards banquet will be held in the evening at the Sheraton Wayfarer.

3. Merchandising Report

A. SPIRITS:

1) Labor Day Sale, Aug. 26-September 6, 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission acknowledge the results of the Labor Day Sale, which was held from Thursday, August 26 through Monday, September 6, 2004. The motion was unanimously adopted.

2) Thanksgiving Day Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve thirty-nine (39) spirit items to be featured on sale during the Thanksgiving Day Sale, scheduled for Thursday, November 18 through Sunday, November 28, 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) November/December 04 Promotions:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the following fourteen (14) sweepstake requests for the upcoming holiday season (November/December 2004), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Horizon/Allied Domecq Spirits USA (2); United Beverages, Inc./Future Brands (1); United Beverages, Inc./Schieffelin & Co. (2); United Beverages, Inc./Diageo North America (4); Horizon Beverage Company/Bacardi USA, Inc. (5). The motion was unanimously adopted.

4) Test Market Products:

- a. Test Market Request (Koenig Grappa, Raspberry Brandy and Plum Brandy):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission deny an offer from United Beverages, Inc./Koenig Distillery for new test market listings for Koenig Grappa, Koenig Raspberry Brandy and Koenig Plum Brandy, 375ML size. The motion was unanimously adopted.

- b. Test Market Results (Code #3908):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant a specialty listing to Code #3908, Mico Silver Tequila, 1.75L size, which exceeded the gross profit of \$4,620.00 required for specialty consideration at the conclusion of a six-month test market period, to be carried in liquor specialty stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Special Offers for November 2004 (2 additional items – United Bevs.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve additional special offers from United Beverages, Inc., based upon depletions of two (2) spirit items, without matching state funds, to be feature on sale during November 2004, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) One Time Purchase Request (Three Olives):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/ White Rock Distilleries for the Commission to make a one-time purchase of Three Olives Raspberry Flavored Vodka (assigned Code #3762), Three Olives Chocolate Vodka (assigned Code #3709) and Three Olives Green Apple Vodka (assigned Code #3708), 50ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for November 2004:

a. 5 items – Executive Wine & Spirits/Martignetti Co. of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve revised special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of five (5) wine items, to be featured on sale during November 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 1 item – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a revised special offer from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of one (1) wine item, to be featured on sale during November 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 7 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of seven (7) wine items, to be featured on sale during November 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 8 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of eight (8) wine items, to be featured on sale during November 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 199 items – United Beverages, Inc.

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions and special purchase allowances for one hundred ninety-nine (199) wine items, to be featured on sale during November 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for November and December 2004:

- a. 4 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of four (4) wine items, to be featured on sale during November and December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 12 items – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E & J Gallo Winery, based upon depletions of twelve (12) wine items, to be featured on sale during November and December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Allied Domecq Passport to Savings Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/ Allied Domecq Wines USA to conduct a “Passport to Savings” sweepstakes during November and December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Buy One Get One Half Off- November and December 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company to conduct “Buy one, get one half off” promotion featuring six (6) Black Opal/Greg Norman wines during November and December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Martignetti Buy One Get One Half Off – Nov. & Dec. 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H. to conduct a “Buy one, get one half off” promotion featuring fifteen (15) wine items during November and December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Franciscan NHSLC Gift Card Giveaway:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc. to conduct a Franciscan NHSLC Gift Card Giveaway featuring fifteen (15) wine items during November and December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Robert Mondavi Holiday “The Right Pour at the Right Price”:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H. to conduct a Robert Mondavi Holiday “The Right Pour at the Right Price” promotion featuring eleven (11) wine items during November and December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Stimson Lane Holiday Give Away:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc. to conduct a Stimson Lane Holiday Give Away sweepstakes, featuring ten (10) wine items and including designated in-store tastings, during November and

and December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Winter Wine Spectacular Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Pine State Trading Company/ E & Gallo Winery to conduct a Winter Wine Spectacular Consumer Sweepstakes, featuring twelve (12) wine items and including designated in-store tastings, during November and December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Recommended Allocated Wines for Distribution to Selected Stores (5 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the distribution of five (5) allocated wine items to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

11) Primary Source Submissions:

- a. 3 items – primary source; 11 items – exclusive agent; 24 items – imported:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of three (3) wine codes which are from primary source, eleven (11) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and twenty-four (24) wine items which are not from primary source, but are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 4 items – primary source; 9 items – exclusive agent; 4 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of four (4) wine codes which are from primary source, nine (9) wine codes which are not from primary source, but are offered by the exclusive marketing

agent, and four (4) wine items which are not from primary source, but are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated September 23 through September 29, 2004. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests effective for the month of November 2004. The motion was unanimously adopted.

3. Late Items/Other:

a. Nouveau Beaujolais 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three (3) wine items to be included in the Nouveau Beaujolais 2004 program, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. AV Imports Purchase and Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from M.S. Walker, Inc./AV Imports, to conduct a purchase and sweepstakes promotion featuring six (6) wine items during November and December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Banfi Purchase & Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/Banfi Vintners to conduct a purchase and sweepstakes promotion featuring four (4) wine items during November and December 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Jorge Ordonez & Eric Solomon Feature Program and Purchase:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from M.S. Walker, Inc. to conduct a program and purchase promotion featuring seven (7) Jorge Ordonez and Eric Solomon spanish wines during November 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

